

Message Text

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PAGE 01 STATE 197246

61

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TO AMEMBASSY BONN PRIORITY

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C O N F I D E N T I A L STATE 197246

E.O. 11652: GDS

TAGS: ETRN, GW, UK, WB, FR

SUBJECT: PAN AM COMMENTS ON UK BERLIN SERVICE PROPOSALS

REF: (A) STATE 177254 (B) 186472 (C) BONN 13657 (D) BERLIN
1576

1. PANAM REPS (LOY AND HAMBLETON) GAVE DEPARTMENT
SEPTEMBER 28 PRELIMINARY PANAM COMMENTS ON BRITISH
PROPOSALS FOR BERLIN AIR SERVICES CONTAINED IN UK AIDE-
MEMOIRES (REFS A & B). PAN AM UNCERTAIN OF EXTENT BEA
LOSSES IN FLIGHTS TO BERLIN BUT CONFIRMED THAT BEA
OPERATING AT LOAD FACTOR 10 PERCENT BELOW PANAM AND AP-
ARENTLY UNDER-UTILIZING ITS AIRCRAFT.

2. ON SPECIFIC UK SUGGESTED ACTIONS, PANAM TOOK FOLLOWING
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PAGE 02 STATE 197246

POSITIONS: (A) CAPACITY CUTS: SOME MODEST REDUCTION IN

SERVICE MIGHT BE JUSTIFIED BUT BEA PROPOSED CUTBACK OF 20 TO 30 FLIGHTS PER DAY SEEMED TOO DRASTIC. PANAM EXPRESSED NO INTEREST IN BILATERAL DISCUSSIONS WITH BEA ON ONE FOR ONE FLIGHT REDUCTIONS WHICH BEA APPARENTLY WANTS. BEA GOAL OF 70 PERCENT LOAD FACTOR UNWISE, AND COULD ONLY BE ACHIEVED AT EXPENSE OF QUALITY OF BERLIN SERVICE. CURRENT PANAM LOAD FACTOR IS 56, WHICH AIRLINE CONSIDERS ACCEPTABLE, THOUGH 60 WOULD PROVIDE BETTER PROFIT MARGIN. PANAM NOT ANXIOUS EXPAND NUMBER OF GERMAN

CITIES IN WHICH IT HAS MONOPOLY, THOUGH IT IS WILLING TO MOVE IN THIS DIRECTION IF UK WISHES AND US GOVERNMENT APPROVES.

(B) FARES: SOME INCREASE WILL BE NECESSARY IN 1974. PANAM CITES GENERAL INFLATION IN FRG AND INCREASES IN AIRLINE OPERATING COSTS AS JUSTIFICATION FOR INCREASES, BUT SUGGESTS THAT LEVEL OF INCREASE SHOULD BE IN AREA OF 7-8 RATHER THAN 10 FIGURE BEA SEEMS TO WANT.

(C) SUBSIDIES: PANAM REPS AGREE FRG NOT LIKELY GRANT GENERAL INCREASE IN SUBSIDIES. HOWEVER, SINCE SHIFT OF CIVIL AIR TRAFFIC TO TEGEL SEEMS INEVITABLE, PANAM FEELS PAYMENT TO COVER COSTS OF MOVE AND INCREASED OPERATING COSTS AT TEGEL WOULD BE JUSTIFIED.

3. PANAM BELIEVES MOST SIGNIFICANT ACTION US AND UK CAN TAKE TO ASSIST ECONOMY OF BERLIN AIR SERVICES IS TO SEEK MODIFICATION OF 10,000 FOOT CORRIDOR CEILING THROUGH DISCUSSION WITH SOVIETS. A SECOND AREA OF POSSIBLE ASSISTANCE WOULD INVOLVE A JOINT APPROACH TO FRG FOR ASSISTANCE IN MOVING PANAM AND BEA TO TEGEL.

4. PANAM REPS ADVISED THEIR OBSERVATIONS WOULD BE STUDIED IN CONNECTION WITH OCTOBER 9 MEETING WITH BRITISH. ANY COMMENTS ADDRESSEES MIGHT HAVE ON BERLIN AIR PICTURE (IN ADDITION TO THOSE IN REFTELS C AND D) WOULD BE WELCOMED BY DEPARTMENT BEFORE OCTOBER 8. RUSH

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